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C O N F I D E N T I A L SECTION 01 OF 02 BRATISLAVA 000474

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TAGS: [PGOV](#) [PREL](#) [KCOR](#) [SENV](#) [ECON](#) [LO](#)
SUBJECT: SLOVAKIA: FICO'S FAILURE TO RESOLVE INTERBLUE CO2 TRADING
SCANDAL RAISES SUSPICIONS

REF: A. BRATISLAVA 462
[1](#)B. BRATISLAVA 195

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CLASSIFIED BY: Keith Eddins, Charge d'Affaires, a.i..
REASON: 1.4 (d)

[1](#)1. (C) SUMMARY: A failure to resolve the Interblue CO2 permit scandal has prompted widespread suspicion that PM Robert Fico's Smer political party was deeply involved in the corrupt sale, which may ultimately cost Slovakia hundreds of millions of Euros in lost revenue. Although Fico has tried--with a good deal of success--to lay blame for the scandal entirely on coalition partner Slovak National Party (SNS), his waffling on whether to cancel or even investigate the unfavorable contract in spite of the government's deteriorating fiscal situation has caused even some allies to question his motives. Post has repeatedly informed officials at different levels of government that U.S. law enforcement authorities would likely view favorably any request for assistance in investigating the U.S.-registered Interblue Group. The Slovak government has yet to respond to this offer. END SUMMARY.

CLEANING THE STABLES

[1](#)2. (SBU) Despite more than six months of intense media scrutiny, no one knows for sure who was behind the Interblue Group deal, in which the obscure U.S.-registered company received the right to buy Slovakia's permits for 50 to 85 million tons of CO2 emissions through 2012 at a steep discount from market value. Fico, who all along has sought to blame it on SNS officials at the ministry, seemed to lose patience with the scandal in August, when he fired his third Environment Minister in a year and dispatched Deputy PM Dusan Caplovic to clean up the ministry and investigate the contract. Even though Caplovic has ended his stint at the ministry (ref a), his overdue investigation report has not been released. Caplovic recently told the media that he believes many documents surrounding the sale were destroyed shortly after he arrived at the ministry, implying that a conclusive report is unlikely.

[1](#)3. (C) Caplovic also backed away from his initial pledge to cancel the Interblue contract. Within weeks of taking over the ministry, Caplovic started saying that it might be too late to undo last winter's sale of permits for 15 million tons of emissions. He recently went even further by asserting that the government has "no legal means" to cancel options granted Interblue for future years, meaning that the contract would have to be honored in its entirety. This claim has met with widespread skepticism, and local newspapers have quoted numerous

contract lawyers disputing Caplovic's position. Moreover, Trend magazine reporter Kristian Slovak (protect) told us that as of early October, no one from the ministry had even spoken with Interblue in several months, calling into question Fico's assertion that he places a high priority on canceling the contract.

14. (SBU) Interblue exercised its option to buy permits for an additional 8 million tons of emissions last month, a move greeted with silence by the government until it was reported in the media last week. Fico declared on Saturday, November 7, that no more permits will be sold to Interblue, but he has waffled on this issue before. The same day, a Slovak newspaper reported that a mid-October letter to Interblue from Environment State Secretary (i.e., Deputy Secretary) Miroslav Sebek assured the company that it need not worry about media reports suggesting the government would not uphold the contract.

SUSPECTED SMER INVOLVEMENT

15. (C) Journalists and opposition figures have long asserted Smer involvement in the Interblue scandal. Vladimir Tvaroska, Finance Ministry State Secretary under the Dzurinda government, told us that Fico has always known far more about the deal, which was approved by his cabinet, than he publicly admitted. Tvaroska described an early March meeting of the Economic Crisis Council--which took place before the Interblue deal was first reported publicly--where Fico angrily defended the contract for 20 minutes after Tvaroska suggested it be renegotiated to raise funds for economic stimulus.

16. (SBU) In recent days, however, even members of the ruling coalition have publicly pointed a finger at the Prime Minister. Miroslav Jurena, an MP from the HZDS political party who likely still carries a grudge after being fired from Fico's cabinet in 2007, said in a television interview last week that he is troubled by reported connections between Interblue and Fico, without specifying what these connections are. Fellow HZDS MP

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Milan Urbani asserted that Smer has shown by its inaction that it clearly has no interest in ending the contract. While their provocative comments were assuredly made for political reasons, they also reflect a growing perception amongst the political elite that Caplovic's failure to cancel or even modify the Interblue deal is an indicator of Smer involvement.

17. (C) Trend magazine's Slovak, who has broken much of the news surrounding the scandal, told us that while the emissions deal was likely an SNS project in the beginning, there are indications that Smer officials have subsequently gotten involved. Slovak told us that SNS appointees Peter Solcansky--former Chief of the Military Intelligence Service--and Pavol Tehlar arranged the contract from inside the ministry, after being approached by Norbert Havalec, a notorious Slovak arms dealer who was acting as an informal adviser to the ministry. Slovak believes that Havalec was working on behalf of two Czech businessmen, Dalibor Musil and Adam Donocik, who allegedly had ties to the Communist-era secret police. Rastislav Kacer (protect), the former Slovak Ambassador to the U.S., told us previously that Havalec had complained to him that while he had, indeed, helped set up the Interblue deal, he hadn't been paid well enough to be willing to take the blame for it in the media. Solcansky and Tehlar were both fired from their ministry jobs by Caplovic in September, but not before Tehlar was appointed to a lucrative sinecure on the board of the Recycling Fund.

18. (C) According to numerous sources, none of the various Environment Ministers had much to do with orchestrating the deal--rather, they were all following orders from above. It is widely held that the first minister, Jaroslav Izak, was forced out in July 2008 largely because he was resisting some aspect of the deal. Slovak told us that Izak's successor, Jan Chrbet, knew so little about Interblue Group that he conducted all of

his meetings with the company's representative, Jana Luetken, through an interpreter--apparently not aware that Luetken, a Swiss citizen, speaks fluent Czech.

¶9. (C) There has been considerable speculation in the Slovak press that the FBI is investigating the Interblue Group. Our contacts believe that the recent registration of Interblue Europe in Switzerland is an effort to move the company beyond the FBI's reach. In separate meetings over the past few months, we have informed Deputy PM Caplovic, then-Minister of Environment Viliam Tursky, and State Secretary (and Smer party member) Sebek, that if the Slovak government wants to ensure a USG investigation, they need only to request our assistance. While our interlocutors have professed interest, we have as yet received no requests for help.

EMBASSY COMMENT

¶10. (C) The Interblue scandal has now directly or indirectly led to the sacking of three Environment Ministers, as well as Fico's violation of the coalition agreement by wresting control of the ministry from SNS. In addition, it now seems possible that the contract will end up costing Slovakia hundreds of millions of Euros in revenue over the coming years. In this context, Fico's failure to do anything aside from firing a few SNS officials raises many questions. Multiple sources have told us they expect that Fico will eventually order the deal canceled, which will almost certainly result in Interblue suing the government in Slovak court. In such an event, they all expect Interblue to prevail--not necessarily because it has the superior legal case, but because they expect Slovak officials to ensure that their friends at Interblue win the lawsuit. This would not be the first time that Slovak courts have enforced corrupt contracts that are no longer politically viable, setting up a win-win-lose scenario: the government gets credit for cancelling the deal; the company still gets paid; and the Slovak taxpayer gets stuck with the final bill.

EDDINS